

Planning and the Housing Crisis

An analysis by POETS

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Authors

Katie Barrett, former planning and transport policy manager at Oxfordshire councils

Gill Oliver, former planning policy manager, South Oxfordshire District Council

Richard Tamplin, former Planning Inspector

David Young, former Director of Environmental Services at Oxfordshire County Council

POETS (Planning Oxfordshire's Environment & Transport Sustainably) is a group of senior planning, environment and transport professionals and academics focussed primarily on planning and transport in Oxfordshire.

(For more information go to www.poetsplanningoxon.uk)

SUMMARY

We are facing a housing crisis caused by a combination of government policies and developers manipulating the market to maximise their income. Government is blaming the planning system for the crisis, and proposing far-reaching changes through permitted development rights and the forthcoming Planning Bill to further weaken the system. However, historically when planning was strong and well-funded, many more high quality homes were built. The planning system should be strengthened and better funded rather than weakened.

POETS have produced this paper because:

- the Government's proposed Planning Bill and continuing extensions to permitted development rights are likely to further weaken the planning system's ability to address these issues
- the housing crisis is critically important in Oxfordshire, where very high rates of both housing and economic growth are proposed. Government is consulting on an Oxford-Cambridge Arc, and the Oxfordshire Growth Board is consulting on a Strategic Plan for the County, Oxfordshire 2050.

In this paper, POETS explain their strong reservations about how the housing crisis is being addressed.

"Our broken housing market is one of the greatest barriers to progress in Britain today"

Theresa May, Prime Minister

(from a foreword to 'Fixing Our Broken Housing Market', MHCLG, Cmd 9352, 7 February 2017)

INTRODUCTION

1. We are facing an increasingly severe national housing crisis. Many large and expensive new houses are being built¹, on the edges of many towns and villages in South-East England. Despite this, house prices keep rising², putting owner-occupation and renting out of the reach of more and more people, especially those who need low-cost housing. Homelessness is increasing³. The recent Chesham and Amersham by-election outcome suggests these issues are now having some political effect in the Home Counties.
2. Successive Governments have blamed the planning system for restricting house building. However, POETS believe that the planning system has been a scapegoat for government failures and that, instead, planning is an essential part of the solution to this and other related crises, especially climate change, public health, social inequality and social care. POETS have produced this paper because:
 - the Government's proposed Planning Bill⁴ and continuing extensions to permitted development rights⁵ are likely to further weaken the planning system's ability to address these issues
 - the housing crisis is critically important in Oxfordshire, where very high rates of both housing and economic growth are proposed. Government is consulting on an Oxford-Cambridge Arc, and the Oxfordshire Growth Board is consulting on a Strategic Plan for the County, Oxfordshire 2050. POETS have strong reservations about both of these.⁶

How Have We Got Here?

3. By the end of WWII, many of the UK's buildings had been damaged or destroyed, and there was a desperate need to overcome a huge backlog of poverty, ill health, unemployment and bad housing. During the war, a forward-looking Coalition Government appointed a series of expert Commissions to build back a better nation. This paved the way for the NHS and secondary education. It also led to a comprehensive Town and Country Planning system, which required that the development of land needs planning permission⁷. National Parks and New Towns

¹ Live Tables on Housing Supply in England, Table 254: Permanent dwellings completed by number of bedrooms and tenure, MCHLG, June 2021

² For instance, average house prices in Oxford cost up to 12 times average salaries, despite large amounts of greenfield land having been allocated or developed for new housing. See https://www.oxford.gov.uk/info/20010/housing/1449/oxford_needs_homes

³ In 2018, Oxford City had 8.2 rough sleepers per 10,000 households, far higher than in both London and England. This has increased by 400% since 2012. "Homelessness in Oxford: Risks and opportunities across housing and homeless transitions", Drs Garratt and Flaherty, Nuffield College, Oxford, June 2020

⁴ The Bill was introduced by the Queen's Speech in May 2021, and is likely to receive its First Reading in the Parliamentary Autumn Session, but its detailed contents were not known as this paper was finalised. <https://www.local.gov.uk/parliament/briefings-and-responses/future-planning-system-and-upcoming-planning-bill-house-commons> summarises the expected main provisions of the bill.

⁵ These specify which development does not require planning permission.

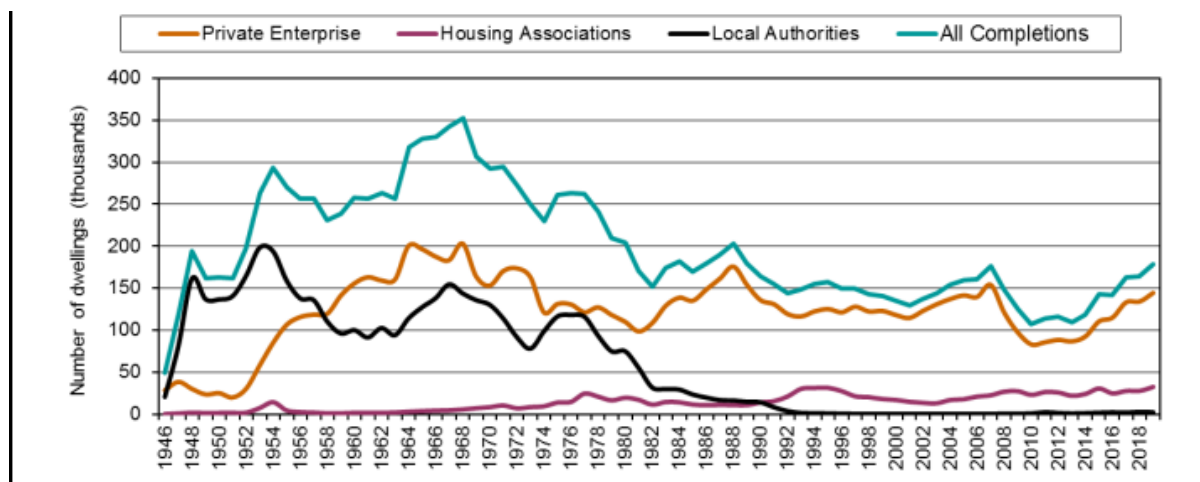
⁶ See for example "The Oxford-Cambridge Arc: a critical assessment by POETS", July 2021 <https://www.poetsplanningoxon.uk/poets-oxcam-arc-critical-assessment-paper-210721.pdf>

⁷ Currently under s57(1) of the Town and Country Planning Act 1990, as amended

were also created, the latter benefitting from being able to acquire building land at near agricultural value⁸.

4. Post-WWII, Labour and Conservative Governments competed to deliver housing and, between 1945 and 1970, over 7.4 million permanent dwellings were built in Great Britain⁹. Of these, more than 4.2 million (57%) were built by public bodies, mainly local authorities and New Town Corporations. These offered affordable rents and generally high-quality housing. The total number of permanent dwellings completed annually in England and Wales between 1948 and 1980 fluctuated between 200,000 and 350,000 (see Figure 1).
5. From the early 1980s onwards, Conservative Governments promoted the heavily discounted sale of Council houses and effectively prevented any significant replacement¹⁰. Labour Governments from 1997 onward continued this pattern, and between 1981 and 2020 annual completions only once exceeded 200,000¹¹. From 2010 the Coalition Government, seeking to enhance housebuilding rates, created a policy presumption in favour of 'sustainable development'¹² – but annual housing completions obstinately fluctuated around 150,000, and by March 2020 were still only 175,250¹³. See Figure 1 below:

Figure 1. Housing completions, England and Wales, 1946 to 2018 (Housing Statistical Release, March 2020, p9: ONS from MCHLG sources)



⁸ See POETS' Report, "Land Value Capture", April 2020 <https://www.poetsplanningoxon.uk/poets-land-value-capture-300420.pdf>

⁹ Housing in Britain, London, HMSO, 1975, Table, p7

¹⁰ By refusing to allow local authorities to spend receipts from council house sales on one-for-one new build replacements

¹¹ ONS, House building UK, Table 2b, permanent dwellings started and completed, by sector, March 2021

¹² Whether the Government's definition of 'sustainable development' is truly sustainable is debatable.

¹³ See footnote 8 above

What Are The Problems?

6. Despite Government attempts to increase housebuilding rates, the housing crisis has steadily worsened, and housing affordability has become a major problem nationally¹⁴. Increasingly, housing authorities are having to place homeless households into expensive bed and breakfast accommodation¹⁵. Higher housing costs have led to reduced disposable incomes, increasing relative poverty and creating and widening social divisions¹⁶. *Yet, throughout this period, reduced housebuilding rates coincided not with any significant tightening of the planning system, but with a loosening of planning controls.*
7. Today, new housing is largely built by the private sector¹⁷ which is dominated by a handful of volume housebuilders, who focus on development land where profit can be maximised by drip-feeding the market¹⁸. Requirements for “affordable” housing¹⁹ on new developments apply only to larger planning applications, and even these are widely - and often effectively - contested by housebuilders at appeal. The ongoing widening of permitted development rights now allows conversion of existing shops, offices and commercial and light industrial buildings to dwellings with very little planning control. This also deprives local authorities of much-needed income for infrastructure²⁰.
8. Since 2004, instead of identifying, surveying and planning development themselves, local authorities issue a “call for sites” when preparing their Local Plans²¹. This results in sites for development being identified mainly by developers and landowners, irrespective of the site’s suitability from a community viewpoint. Where local authorities do try to plan rationally, fully taking into account the wider costs and benefits to the community, they find that Central Government tightly controls the housing development process through its “Objectively Assessed Housing Need”. This process is based on apportioning a nationally determined, but questionable and probably unachievable, target of 300,000 dwellings to be built every year. This target is based on 2014 forecasts of future housing needs²², rather than more recent and authoritative, but lower, forecasts by the Office of National Statistics.
9. Housing need consultants Opinion Research Services²³ have determined, based on projected household growth and the existing housing backlog, that about 230,000 dwellings are needed for each of the next 10 years, falling thereafter. This is significantly lower than the Government figures. However, local authorities are still

¹⁴ “CPRE Response to the Affordable Housing Commission: Call for Evidence”, Section 1, Understanding the Affordability Challenge, CPRE, London, April 2019

¹⁵ <https://www.local.gov.uk/about/news/lga-430-increase-bb-spend-people-who-are-homeless-reveals-urgency-more-social-housing>; <https://commonslibrary.parliament.uk/research-briefings/sn02110/>

¹⁶ Health Equity in England: The Marmot Review 10 Years On, Institute for Health Equity, Feb 2020; “Rethinking the Treasury”, Review by Lord Kerslake, February 2017, in Civil Service World, 13 Feb 2017

¹⁷ ONS op cit, Housing Completions 2019-2020 by provider: 141,110 private sector, 32,330 housing associations, 1,810 local authority

¹⁸ Kevin McCloud, The G2 Interview, The Guardian, 13 September 2021

¹⁹ Defined as 80% of local market price, (hence largely unaffordable to those most in housing need in areas of highest prices), NPPF 2019, Annex 2, Glossary.

²⁰ For example, Local Government Association, “Rural residents missing out on vital local services due to surge in barns turned into homes”, Press Release, 28 August 2021

²¹ S14A of the Planning and Compulsory Purchase Act 2004

²² <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

²³ Opinion Research Services, “How Many Homes? Reviewing the national housing need for England”, July 2020

required to use the official Government method. Thus, South Oxfordshire²⁴ was directed to use the Government method or have its planning functions taken over by Government. Sevenoaks District had its Local Plan declared out of date and is now subject to the “presumption in favour of sustainable development”, allowing housing to be built across an authority which is 93% Green Belt²⁵.

10. There is no incentive for housebuilders to maintain prices, let alone reduce them, for instance by rapidly building all the housing for which they already have planning permission; they are accountable to their shareholders, not local electors. There are unimplemented permissions for over one million dwellings. Government has recognised this “drip-feeding” of supply as a problem, but has not addressed it²⁶; and local authorities have no real power to require implementation. The lack of substantial public sector housing offers a near-monopoly to private builders²⁷. Moreover, Government policies such as ‘Help to Buy’ and the ‘Stamp Duty Holiday’ serve to increase house prices by increasing demand, while the private sector limits build-out rates, thus limiting supply, while maximising their profits²⁸.
11. Meanwhile, there is a wide and growing gap between rich and poor. Average household income for the richest fifth of the population increased by 7% between March 2011 and March 2020, to £62,400, but that of the poorest fifth of the population fell by 4.8% to £13,800.²⁹ The median house price is just over four times the income of the richest fifth of the population, but almost 20 times the income of the poorest fifth³⁰. The recently-announced £8.6 billion for affordable homes will mostly help those who can afford to buy; only 30,000 homes nationwide will be built for social renting.³¹ This barely scratches the surface of the housing crisis.
12. Successive Governments continue to put large housebuilders at the centre of their financial recovery plans, despite their repeated failures to increase housing completions; and they have blamed the planning system for ills which are largely caused by the private sector. Government grant funding to Local Authorities was cut by 38% between 2009/10 and 2018/19³², with planning and housing services hit especially hard³³. This severely reduces their ability to plan comprehensively for their localities and has serious implications for local democracy. Instead, councils are reduced to going cap-in-hand to Government for additional funding, as in the case of the six Oxfordshire local authorities which, in 2017, traded a limited extra funding for yet more market housing³⁴. Understandably, the public has lost faith in a planning system that has less and less influence over what happens on the ground, directed by central Government on a flawed model. Yet the historical evidence

²⁴ Holding Direction from Minister for Communities, Housing and Local Government to Leader of South Oxfordshire District Council, 9 October 2019, on www.MCHLG.gov.uk

²⁵ Council moves forward with its Local Plan, Press Release, 12 April 2021 on www.sevenoakscouncil.gov.uk

²⁶ Letwin, O, Independent Review of Build-out Rates, 2018, Cmd 9720, London, HM Treasury and MCHLG

²⁷ The Spectator, 26 June 2021, “The Housing Mafia” Liam Halligan, and see also local author Bob Colenutt, “The Property Lobby, the reality behind the housing crisis”, Policy Press, 2020

²⁸ Including the latest announcement, “£8.6bn for affordable homes to give boost onto housing ladder”, MCHLG, Press Release 31 August 2021, on www.gov.uk

²⁹ “House price statistics for small areas in England and Wales: year ending December 2020”, ONS

³⁰ Ibid, Analysis of Average Income, Table 3 and Commentary

³¹ “£8.6bn for affordable housing to give boost onto housing ladder”, MCHLG Press Release, 31 August 2021, which said this would support the building of 120,000 homes, but of which only 30,000 are available to rent.

³² “Local government funding in England”, Institute for Government website home page, accessed 3 Sept 2021

³³ “Housing, planning and homelessness: Moving the conversation on”, Local Government Association, June 2018

³⁴ Of £215m to provide 100,000 houses by 2031, only £60m of which was to support affordable housing.

(“Oxfordshire Housing and Growth Deal – Outline Agreement”, MCHLG, March 2018).

demonstrates that, when properly funded and enabled, local authorities can and do deliver substantial housing.

What Can Be Done?

13. Government needs to deal jointly with the housing crisis, the climate crisis, the Covid-19 pandemic and inequality at a scale comparable to that of the wartime Coalition Government. All housing, both existing and new, needs to be zero carbon; well-located in terms of facilities, services and employment; and large enough inside and outside. Homes should be where they are really needed, enabling occupiers to travel by walking, cycling or public transport in “15 minute neighbourhoods” via walking, cycling and public transport³⁵. Otherwise, occupants of poorer housing will be more likely to experience ill health, limited job opportunities, poor education and social disadvantage³⁶. Government acknowledges some of this, as shown by its policies on the Green New Deal, Zero Net Carbon by 2050, Levelling Up, and Build, Build, Build. But in practice delivery has been slow³⁷ and contradicted by other policies such as Help to Buy.
14. POETS believe that only a fundamental change in favour of local decision-making and strengthening the planning system can fix England’s broken housing model. Local authorities are best placed to know local needs, and a properly-funded planning system can deliver housing, transport and green spaces fit for this century.
15. The only way to address the climate and housing crises is through immediate, more and better local management.
16. Truly affordable housing must be made available in the light of evidence-based local need. Local authorities must be allowed to determine the amount of housing, its type and where it is built, according to their own analysis and priorities.
17. A new settlement between central and local government could allow local authorities more scope to provide good, genuinely affordable, housing³⁸.
18. Local Authorities must be able to raise their own money and invest in quality public services, especially housing.
19. Local authorities should be given the power compulsorily to purchase land identified for development in local plans at existing use value plus a small uplift, with the resulting proceeds to be used for community benefit³⁹.
20. Building Regulations should be introduced requiring all existing and proposed dwellings to comply with adequate minimum standards for internal and external space, fire safety, accessibility to services and a compliance with climate change requirements, all to be enforceable by the local authority.

³⁵ See in particular Transport for New Homes report which references Great Western Park, Didcot <https://www.transportfornewhomes.org.uk/the-project/transport-for-new-homes-report-2018/>

³⁶ “Health Equity in England”, op cit

³⁷ There have even been backward steps, as in March 2015, when the Government scrapped its Code for Sustainable Homes, shortly before it was due to reach its topmost level.

³⁸ A previous POETS report referred to the £25bn a year housing benefit paid each year by government to landlords, which makes no direct contribution to building new homes. See

https://www.poetsplanningoxon.uk/poets_affordable_housing_final_nov2019.pdf

³⁹ See <https://www.poetsplanningoxon.uk/poets-land-value-capture-300420.pdf>

21. Unfortunately, the Planning Bill about to go before Parliament⁴⁰ looks likely to deliver the very opposite, dismembering what remains of the planning system⁴¹.

What Can Residents and Elected Representatives Do?

22. Oxfordshire is on the sharp end of these issues, with Government planning to nearly double the county's population in the next 30 years. Oxfordshire residents will need to make their views known about the Ox-Cam Arc and Oxfordshire 2050. However, it is increasingly difficult for the public to influence local planning by traditional means using the representation process, because Government and the planning process are so heavily skewed in favour of private landowners and large housebuilders.

23. We need more, not less, local democracy to ensure the real needs of local people are met⁴². A recent POETS paper⁴³ concluded that the challenges to our local democracy are continuing to increase significantly. We need to shout this in Oxfordshire and beyond. We appeal to residents, local Councillors and MPs to do just this.

24. Our suggestions in the paragraphs above are ambitious. Yet, as WWII and its aftermath showed, seemingly impossible things can be achieved given commitment and a recognition of the urgency of the problems. By comparison to the issues facing Government in 1945, and the sums spent fighting Covid in this country, the housing crisis requires no great expenditure, simply seeing the real issues, identifying the mechanisms available to tackle them and implementing a logical democratic and accountable strategy.

*"It is a good thing to follow the First Law of Holes:
if you are in one, stop digging."*

Rt Hon Denis Healey MP

*(from an interview with William Keegan,
The Guardian, 2 December 2006)*

⁴⁰ See note 4

⁴¹ See "The Raynsford Review of Planning", November 2018, on tcpa.org.uk/raynsford-review

⁴² See "Local Government in England: 40 Years of decline" <https://unlockdemocracy.org.uk/resources-research/2021/6/17/local-government-in-england-40-years-of-decline>

⁴³ "Democratic Deficit 2021 – Who Decides Oxfordshire's Future?", POETS, February 2021